

PART 227—COMPUTING SUPPLEMENTAL ANNUITIES

Sec.

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§ 227.1 Introduction.

This part explains how to compute a supplemental annuity. A supplemental annuity is payable to an employee who meets the requirements in §216.12 of this chapter.

§ 227.2 Initial supplemental annuity rate.

The supplemental annuity rate, before reduction for the railroad retirement family maximum or any private pension, is \$23 for an employee's first 25 years of service plus \$4 for each added year of service up to 30 years. The highest supplemental annuity rate is \$43 for an employee with 30 or more years of service.

§ 227.3 Reduction for railroad retirement family maximum.

If the railroad retirement family maximum applies, and the reduction amount is higher than the spouse tier II rate, as shown in part 226 of this chapter, the initial supplemental annuity rate from §227.2 is reduced by the smaller of—

(a) The difference between the total railroad retirement maximum reduction amount and the reduction in the spouse annuity; or

(b) The total supplemental annuity rate from §227.2.

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§ 227.4 Reduction for employer pension.

(a) *General.* The supplemental annuity for each month is reduced by the amount of any private pension the employee is receiving for that month based on the contributions of a railroad employer. This reduction is applied to

the supplemental annuity amount after any reduction for railroad retirement family maximum. Private pension is explained in §216.14 of this chapter.

(b) *Private pension reduced for supplemental annuity.* If the employer reduces the private pension for the employee's entitlement to the supplemental annuity, the reduced pension amount is subtracted from the supplemental annuity. However, the reduction in the supplemental annuity can be no greater than the difference between the supplemental annuity amount, after any reduction for railroad retirement family maximum, and the amount the private pension is reduced for the supplemental annuity. This guarantees that the sum of the reduced supplemental annuity and the reduced employer pension is not less than the amount of the full employer pension.

Example: The full employer pension is \$80. This is reduced by \$35 because of the employee's entitlement to a supplemental annuity. The initial supplemental annuity rate is \$43.

Full employer pension	\$80
Reduction for supplemental annuity35

Reduced pension amount	45
Supplemental annuity	43
Reduced pension amount45

0

Guarantee amount:

Supplemental annuity	43
Reduction in private pension35

Supplemental annuity	8
Reduction in private pension43
Reduced supplemental annuity35

The reduced supplemental annuity amount is \$35. This amount plus the reduced employer pension of \$45 equals \$80, the full amount of the employer pension.

(c) *Part of private pension based on employee contributions.* If the employer pension is based on both employer and employee contributions, a special formula is used to determine the amount to be subtracted from the supplemental annuity. The Board first computes the pension amount the employee's contributions could have purchased from a private insurance company. That amount is subtracted from the total employer pension. The result is the pension amount used to reduce the supplemental annuity.